

HOUSE BILL REPORT

HB 1827

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to financing practices of motor vehicle dealers.

Brief Description: Refining the definition of "bushing."

Brief History:

Committee Activity:

Commerce & Labor: 2/16/05, 2/21/05 [DP].

Brief Summary of Bill

- Modifies the prohibition on "bushing" by among other things, applying it to auto dealers only when a contract has been signed.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 6 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Sump, Assistant Ranking Minority Member; Hudgins and McCoy.

Staff: Rebekah Ward (786-7106).

Background:

If an offer to purchase or lease a vehicle is accepted contingent on securing financing, or on some other factor, the auto dealer must give final acceptance or rejection of the offer within three days (excluding Saturdays, Sundays, and holidays), without further negotiation. This means, for example, an offer made on Tuesday must be accepted or rejected by Friday. If the dealer rejects the agreement, any money, trade-in vehicle, or anything else given as initial payment or security must be returned, and the deal must be called off, before there can be any attempt to reopen negotiations.

Dealers may renegotiate the dollar amount of the trade-in allowance given to a buyer in only two situations: (1) The buyer fails to disclose that the title to the vehicle is branded, because the vehicle is rebuilt or for some other reason, or (2) the vehicle has serious physical damage or mechanical defect that could not reasonably have been discovered when the offer was accepted.

Failure to adhere to the three-day limit to accept or reject, without renegotiation, an agreement to purchase or lease a motor vehicle is called "bushing." Bushing has been prohibited in

statute since 1967, when Washington first specified unlawful practices for motor vehicle dealers.

Dealers typically use the time before the acceptance of an offer to obtain financing for the prospective buyer. In 1967, dealers were given two business days to complete these arrangements. The period was extended to three business days in 1997.

Summary of Bill:

The prohibition on bushing is amended to clarify that it:

- applies only to situations where there is a contract signed by the buyer or lessee;
- does not affect the right of a dealer to take legal action against a buyer or lessee who is not truthful about income, employment, or debt in applying for financing or a lease (unless the dealer was involved in the deception); and
- applies to situations where the dealer is seeking financing from a bank or other commercial lending institution, as well as situations where financing is through the dealership.

The dealer may inform the buyer or lessee of whether an offer has been accepted without signed documentation.

The buyer's disclosure that the title to a trade-in vehicle has been branded is required to be in writing.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The extension of time that was included in the bill last year is not in this bill. This bill clarifies and confirms with existing practice in the industry. This bill protects dealers and consumers and contains a self-dealing prohibition and serves as a self-policing function as well. The language in this bill has been worked out with the office of the Attorney General.

Testimony Against: None.

Persons Testifying: Scott Hazlegrove, Washington State Auto Dealer's Association.

Persons Signed In To Testify But Not Testifying: None.